

Internal Revenue Service, Treasury

§ 1.461-1

Example (1). A taxpayer on an accrual method reports his taxable income for the taxable year ending June 30. He elects to accrue real property taxes ratably for the taxable year ending June 30, 1955 (which is his first taxable year beginning on or after January 1, 1954). In the absence of an election under section 461(c), such taxes would accrue on January 1 of the calendar year to which they are related. The real property taxes are \$1,200 for 1954; \$1,600 for 1955; and \$1,800 for 1956. Deductions for such taxes for the fiscal years ending June 30, 1955, and June 30, 1956, are computed as follows:

Fiscal year ending June 30, 1955

July through December 1954	¹ None
January through June 1955 ($\frac{1}{2}$ of \$1,600)	\$800
Deduction for fiscal year ending June 30, 1955	800

¹ The taxes for 1954 were deductible in the fiscal year ending June 30, 1954, since such taxes accrued on January 1, 1954.

Fiscal year ending June 30, 1956

July through December 1955 ($\frac{1}{2}$ of \$1,600)	\$800
January through June 1956 ($\frac{1}{2}$ of \$1,800)	900
Deduction for fiscal year ending June 30, 1956	1,700

Example (2). A calendar-year taxpayer on an accrual method elects to accrue real property taxes ratably for 1954. In the absence of an election under section 461(c), such taxes would accrue on July 1 and are assessed for the 12-month period beginning on that date. The real property taxes assessed for the year ending June 30, 1954, are \$1,200; \$1,600 for the year ending June 30, 1955; and \$1,800 for the year ending June 30, 1956. Deductions for such taxes for the calendar years 1954 and 1955 are computed as follows:

Year ending December 31, 1954

January through June 1954	¹ None
July through December 1954 ($\frac{1}{2}$ of \$1,600)	\$800

Deduction for year ending December 31, 1954

¹ The entire tax of \$1,200 for the year ended June 30, 1954, was deductible in the return for 1953, since such tax accrued on July 1, 1953.

Year ending December 31, 1955

January through June 1955 ($\frac{1}{2}$ of \$1,600)	\$800
July through December 1955 ($\frac{1}{2}$ of \$1,800)	900
Deduction for year ending December 31, 1955	1,700

Example (3). A calendar-year taxpayer on an accrual method elects to accrue real property taxes ratably for 1954. In the absence of an election under section 461(c), such taxes, which relate to the calendar year 1954, are accruable on December 1 of the preceding calendar year. No deduction for real property taxes is allowable for the taxable year 1954 since such taxes accrued in the taxable year 1953 under section 23(c) of the Internal Revenue Code of 1939.

Example (4). A taxpayer on an accrual method reports his taxable income for the taxable year ending March 31. He elects to accrue real property taxes ratably for the taxable year ending March 31, 1955. In the absence of an election under section 461(c), such taxes are accruable on June 1 of the calendar year to which they relate. The real property taxes are \$1,200 for 1954; \$1,600 for 1955; and \$1,800 for 1956. Deductions for such taxes for the taxable years ending March 31, 1955, and March 31, 1956, are computed as follows:

Fiscal year ending March 31, 1955

April through December 1954 ($\frac{1}{2}$ of \$1,200)	\$900
January through March 1955 ($\frac{3}{12}$ of \$1,600)	400

Taxes accrued ratably in fiscal year ending March 31, 1955	1,800
Tax relating to period January through March 1954, paid in June 1954, and not deductible in prior taxable year ($\frac{1}{12}$ of \$1,200)	300

Deduction for fiscal year ending March 31, 1955	1,600
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Fiscal year ending March 31, 1956

April through December 1955 ($\frac{1}{2}$ of \$1,600)	\$1,200
January through March 1956 ($\frac{3}{12}$ of \$1,800)	450

Deduction for fiscal year ending March 31, 1956	1,650
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Example (5). The facts are the same as in example (4) except that in June 1955, when the taxpayer pays his \$1,600 real property taxes for 1955, he pays \$400 of such amount under protest. Deductions for taxes for the taxable years ending March 31, 1955, and March 31, 1956, are computed as follows:

Fiscal year ending March 31, 1955

April through December 1954 ($\frac{1}{2}$ of \$1,200)	\$900
January through March 1955 ($\frac{3}{12}$ of \$1,200, that is, \$1,600 minus \$400 (the contested portion which is not properly accruable))	300

Taxes accrued ratably in fiscal year ending March 31, 1955	1,200
Tax relating to period January through March 1954, paid in June 1954, and not deductible in prior taxable years ($\frac{3}{12}$ of \$1,200)	300

Deduction for fiscal year ending March 31, 1955	1,500
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Fiscal year ending March 31, 1956

April through December 1955 ($\frac{1}{2}$ of \$1,200)	\$900
January through March 1956 ($\frac{3}{12}$ of \$1,800)	450

Taxes accrued ratably in fiscal year ending March 31, 1956	1,350
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Fiscal year ending March 31, 1956—Continued
 Contested portion of tax relating to period January through December 1955, paid in June 1955, and deductible, under section 461(f), for taxpayer's fiscal year ending March 31, 1956

400

Deduction for fiscal year ending March 31, 1956

1,750

(d) *Limitation on acceleration of accrual of taxes.* (1) Section 461(d)(1) provides that, in the case of a taxpayer whose taxable income is computed under an accrual method of accounting, to the extent that the time for accruing taxes is earlier than it would be but for any action of any taxing jurisdiction taken after December 31, 1960, such taxes are to be treated as accruing at the time they would have accrued but for such action. Any such action which, but for the provisions of section 461(d) and this paragraph, would accelerate the time for accruing a tax is to be disregarded in determining the time for accruing such tax for purposes of the deduction allowed for such tax. Such action is to be disregarded not only with respect to a taxpayer (whose taxable income is computed under an accrual method of accounting) upon whom the tax is imposed at the time of the action, but also with respect to such a taxpayer upon whom the tax is imposed at any time subsequent to such action. Thus, in the case of a tax imposed on property, the acceleration of the time for accruing taxes is to be disregarded not only with respect to the taxpayer who owned the property at the time of such acceleration, but also with respect to any subsequent owner of the property whose taxable income is computed under an accrual method of accounting. Similarly, such action is to be disregarded with respect to all property subject to such tax, even if such property is acquired after the action. Whenever the time for accruing taxes is to be disregarded in accordance with the provisions of this paragraph, the taxpayer shall accrue the tax at the time (original accrual date) the tax would have accrued but for such action, and shall, in the absence of any action of the taxing jurisdiction placing the time for accruing such tax at a time subsequent to the original accrual date, continue to accrue the tax as of

the original accrual date for all future taxable years.

(2) For purposes of this paragraph—

(i) The term “a taxpayer whose taxable income is computed under an accrual method of accounting” means a taxpayer who, for Federal income tax purposes, accounts for any tax which is the subject of “any action” (as defined in subdivision (iii) of this subparagraph) under an accrual method of accounting. See section 446 and the regulations thereunder. If a taxpayer uses an accrual method as his overall method of accounting, it shall be presumed that he is “a taxpayer whose taxable income is computed under an accrual method of accounting.” However, if the taxpayer establishes to the satisfaction of the district director that he has, for Federal income tax purposes, consistently accounted for such tax under the cash method of accounting, he shall be considered not to be “a taxpayer whose taxable income is computed under an accrual method of accounting.”

(ii) The time for accruing taxes shall be determined under section 461 and the regulations in this section.

(iii) The term “any action” includes the enactment or reenactment of legislation, the adoption of an ordinance, the exercise of any taxing or administrative authority, or the taking of any other step, the result of which is an acceleration of the accrual event of any tax. The term also applies to the substitution of a substantially similar tax by either the original taxing jurisdiction or a substitute jurisdiction. However, the term does not include either a judicial interpretation, or an administrative determination by the Internal Revenue Service, as to the event which fixes the accrual date for the tax.

(iv) The term “any taxing jurisdiction” includes the District of Columbia, any State, possession of the United States, city, county, municipality, school district, or other political subdivision or authority, other than the United States, which imposes, assesses, or collects a tax.

(3) The provisions of this paragraph may be illustrated by the following examples:

Example (1). State X imposes a tax on intangible and tangible personal property used in a trade or business conducted in the